

FISCAL NOTE
HB 85 – SB 273

March 2, 2007

SUMMARY OF BILL: Increases the single maximum exemption for inheritance tax from \$1,000,000 to \$2,000,000 in cases where a decedent dies in 2007 and thereafter.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues – Exceeds \$20,000,000

Assumptions:

- Increasing the single maximum exemption for inheritance tax to \$2,000,000 for years 2007 and thereafter will cause the single maximum exemption in Tennessee to match the federal single maximum exemption for calendar years 2007 and 2008, as identified in The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).
- Under EGTRRA, the federal single maximum exemption increases to \$3,500,000 for 2009 and becomes unlimited in 2010.
- After December 31, 2010, EGTRRA will sunset and the federal tax structure in place prior to EGTRRA will resume. Prior to EGTRRA, the federal single maximum exemption was \$675,000.
- Actual inheritance tax collections for FY05-06 were \$76,287,700.
- Inheritance tax collections for FY06-07 and FY07-08 are estimated to be \$71,000,000 and \$73,000,000 respectively.
- Inheritance tax collections are estimated to decrease by approximately 30% as a result of the increased maximum exemption.
- The decrease to state revenues is estimated to exceed \$20,000,000 per year (\$73,000,000 X 30% = \$21,900,000).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director